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Controller's Review Finds Problems with Payroll Process at Department of Parks and Recreation

SACRAMENTO – State Controller John Chiang today said a [review](#) of the California Department of Parks and Recreation's (DPR) payroll process revealed managers and employees violated state policies and keyed in payroll without proper documentation or authority, creating the risk of abuse, fraud and overpayments.

"The deliberate disregard for internal controls along with little oversight and poorly-trained staff resulted in improper payouts to Parks' employees," said Chiang. "When security protocols and authorization requirements so easily can be overridden, it invites the abuse of public funds."

Much of the DPR's payroll problems were related to "out-of-class" compensation (OOC), which is a type of pay for employees who perform duties far outside the scope of their position. This type of pay may only be used in limited circumstances, for a specific number of days and with documentation supporting the additional pay. The review, which looked at DPR's payroll processes for the period of July 1, 2009, through June 30, 2012, found that management circumvented rules and regulations regarding employees who were working out-of-class (OOC) by keying in payments without receiving the proper approval or providing needed documentation. During the period of review, 203 individuals received out-of-class compensation that totaled approximately \$520,000.

Without sufficient documentation, the Controller's auditors were unable to determine how much, if any, of the payments were lawful. However, the auditors did find that employees were paid OOC in excess of the number of days an employee may work out of class under state policies and collective bargaining agreements. Some employees apparently performed back-to-back OOC assignments, and one individual worked on OOC assignment for the 120-day limit, then moved to another OOC assignment for an additional 120 days, and then moved back into the original OOC assignment. Twenty employees who were prohibited from receiving OOC for more than 365 days exceeded that time period, receiving an additional \$46,000.

The review also found improper access to the payroll system. Last summer, the media reported on a number of unauthorized leave "buy-backs," in which employees were inappropriately paid the cash value of their accrued vacation or other leave time. The Controller's review found that approximately 90% of those unauthorized leave buy-backs were keyed by two DPR managers who used the payroll system without approved access.

In another finding, auditors determined that DPR employees who were out on disability leave were inappropriately given credit for the personal leave program. The program

requires employees take a 5% pay cut in exchange for eight hours of PLP/furlough credits per month.

The Controller recommends that DPR personnel remove all PLP credits from employees who received disability pay and were not subject to the 5% pay cut, or the PLP credit.

Finally, the review revealed that eight of 19 temporary intermittent employees who are limited to working only 1,500 hours per year exceeded that amount, resulting in \$11,272 in extra pay. Two of 16 permanent intermittent employees received approval to extend their work hours beyond the 1,500-hour limit; however, they exceeded the number of hours approved in their extensions at a cost of \$548.

Eight of 340 retired annuitants working during the review period exceeded the limit of 960 hours per fiscal year at a cost of \$5,810.

The Controller recommends that DPR set up a system to alert the employee and the employee's manager when the employee nears exceeding the maximum number of hours per year they work.

The Controller calls upon DPR's new management team to pursue reimbursement from employees who received compensation to which they were not lawfully entitled and plans to revisit DPR's payroll process at a later date to ensure they are implementing this and the review's many recommendations to strengthen internal controls over the payroll process.

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